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Attorney for the Commission Staff

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF )	
AVISTA CORPORATION FOR AUTHORITY )	CASE NO. AVU-E-13-05
TO INCREASE ITS ENERGY EFFICIENCY )	
RIDER ADJUSTMENT, SCHEDULE 91. )	
)	COMMENTS OF THE
)	COMMISSION STAFF
)	

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The Staff of the Idaho Public Utilities Commission, by and through its Attorney of Record, Donald L. Howell II, Deputy Attorney General, submits the following comments in the above referenced case.

### BACKGROUND

On August 1, 2013, Avista Corporation dba Avista Utilities filed an Application requesting authority to increase the rates contained in electric tariff Schedule 91 (Energy Efficiency Rider (the "Rider")). Schedule 91 is the funding mechanism that matches future revenue with budgeted electric energy efficiency expenditures. The Company is not requesting an increase in its natural gas Schedule 191 tariff for its demand-side management (DSM) programs because it is currently suspended. *See Order No. 32650*. The Company does not earn a return on its DSM programs.

Avista proposes to increase its Schedule 91 rider rates by 1.2% of overall billed electric rates resulting in an estimated annual revenue increase of approximately \$2.6 million. Avista

contends the proposed increase in Schedule 91 is necessary to recover an approximate \$3 million deficit in the Rider account over a two-year period and fund ongoing energy efficiency programs at about \$6.4 million in annual revenues. The Company states the increase would result in a monthly rate increase in the Rider of \$0.92 for the average residential electric customer using 930 kWh per month, or 1.17%. The table below reflects the proposed increase to the Energy Efficiency Rider for various customer classes:

<b>SCHEDULE</b>	<b>EXISTING RATE</b>	<b>PROPOSED RATE</b>
Residential Customers – Sch. 1	0.146¢ per kWh	0.245¢ per kWh
General Service – Sch. 11 & 12	0.162¢ per kWh	0.271¢ per kWh
Large General Service – Sch. 21 & 22	0.125¢ per kWh	0.209¢ per kWh
Extra Large Customers – Sch. 25	0.086¢ per kWh	0.142¢ per kWh
Clearwater Paper – Sch. 25P	0.08¢ per kWh	0.131¢ per kWh
Pumping Service – Sch. 31-32	0.142¢ per kWh	0.240¢ per kWh
Street/Area Lighting – Sch. 41 - 49	1.65%	2.67%

Schedule 91 Rider funds a variety of electric DSM programs for residential, non-residential and low-income customers. These programs include rebates for: energy efficiency appliances, HVAC improvements, lighting measures, electric motor measures, the Northwest Energy Efficiency Alliance (NEEA), and behavioral conservation programs. The Company has about 30 programs for customers to utilize. Application at 4. In addition, the Company encourages its all-electric residential customers to convert to natural gas space and water heating. *Id.*

## **STAFF ANALYSIS**

Staff supports the Company's proposal to increase its Schedule 91 tariff. The proposal continues funding electric energy efficiency programs and offers a reasonable amortization period to recoup a \$3 million deficit over two years.

Staff verified the Rider balance was underfunded by about \$3.0 million as of May 31, 2013. Avista reports that the deficit is projected to be \$3.6 million by the end of September 2013. The deficit is the result of the Company's efforts to accelerate the acquisition of non-residential lighting, primarily the conversion of T12 fluorescent lighting fixtures to higher efficiency T8 fixtures, for a limited time offer in 2012. The strategy proved to be far more appealing to customers than the Company had originally anticipated. Avista states it budgeted approximately

\$1.2 million for the program, but ultimately exceeded the budget by paying \$5.2 million in rebates. Avista contends that a significant number of rebate requests were received in the last month of the program (December 2012). *Id.* at 3. The Company continued to provide incentive payments in early 2013 to pay for projects completed in late 2012. Further compounding inadequate revenue collection was the Company's request and subsequent approval of a Rider *decrease* by 1.3% of overall electric rates effective October 1, 2012.

### **Existing DSM Rider Rates**

Staff calculated the projected DSM Rider revenues over two years (October 2013 – September 2015 test year) using the existing Rider rate. Utilizing this methodology, the Company would collect approximately \$7.7 million (\$3,856,558 from October 2013 – September 2014; \$3,877,070 from October 2014 – September 2015).

For the same two-year test period, the Company forecasts total DSM expenditures of about \$9.2 million (\$4,723,137 from October 2013 – September 2014; \$4,537,437 from October 2014 – September 2015). Calculating the expenditures with the existing Rider rates, and including the \$3.6 million projected deficit, Staff analysis concludes the Rider balance would be underfunded by \$5,173,407 as of September 2015.

Total Revenues (existing rates): \$7,733,629

Total Forecasted Expenditures: (\$9,260,574)

Projected September 2013 Rider carryover balance: (\$3,646,462)

Forecasted September 2015 Rider balance: (\$5,173,407)

### **Proposed DSM Rider Rates**

To fund DSM at the aforementioned expenditure levels and amortize a \$3.6 million projected deficit over two years, a total increase of \$5.2 million (\$2.6 million annually) over the existing Rider revenues is required. The increase yields total revenues of \$12,907,036 (\$6,436,372 from October 2013 – September 2014; \$6,470,664 from October 2014 – September 2015).

Total Revenues (proposed rates): \$12,907,036 (\$5.2 million + \$7,733,629)

Total Forecasted Expenditures: \$9,260,574

Projected September 2013 Rider deficit balance: \$3,646,462

Forecasted September 2015 Rider balance: \$0

By subtracting the total expenditures from the total revenues, the difference is the \$3.6 million projected deficit.

Staff concludes that the existing Rider revenues will not adequately fund forecasted expenditures and reduce the deficit. While Staff considered amortizing the deficit over a longer time period, Staff ultimately believes a two-year period to recover a forecasted \$3.6 million deficit is reasonable. While Schedule 91 authorizes funding for the Company to pursue all cost-effective DSM, the Company is not limited by the amount of revenues actually collected. Should the proposed Rider adjustment provide disproportionate funding in the near future, it is incumbent upon the Company to apply for modifications with the Commission.

The scope of this filing precluded a review of the Company's prudently-incurred costs. Consistent with previous Staff comments, Staff will conduct an extensive review of the merits and allocation methodology of the Company's DSM expenses when Avista submits a DSM prudence filing.

### **Public Comments**

As of September 9, 2013, the Commission has received two public comments opposing any Avista rate increases, regardless of the nature of the increase.<sup>1</sup> To date, the Commission has not received a petition to intervene by any parties for this proceeding.

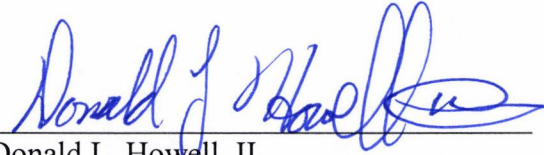
### **STAFF RECOMMENDATION**

Staff recommends the Commission approve the Company application to increase Schedule 91 by 1.2% of overall billed electric rates effective October 1, 2013.

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<sup>1</sup> On July 30 and 31, 2013, Avista also filed three other proposals to change its electric and gas rates. First, the Company proposed to increase its Power Cost Adjustment (PCA) rebate in tariff Schedule 66 in Case No. AVU-E-13-04. Secondly, Avista proposed to adjust its Residential Exchange Program (REP) credit (tariff Schedule 59) to reflect a decrease in BPA-derived benefits from the federal Columbia River power system to residential and small farm customers. Avista Tariff Advice No. 13-05-E. Thirdly, Avista applied to increase its annual Purchased Gas Cost Adjustment (PGA) by about \$4.9 million (7.5%) in annual revenues. Case No. AVU-G-13-01. The requested effective date for the three rate changes is October 1, 2013 – the same requested effective date for the electric Energy Efficiency Rider.

Respectfully submitted this 10<sup>th</sup> day of September 2013.



Donald L. Howell, II  
Deputy Attorney General

Technical Staff: Nikki Karpavich

i:umisc/comments/avue13.5dhdenk comments

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 10<sup>TH</sup> DAY OF SEPTEMBER 2013, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-E-13-05, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY

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